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SUBJECT: NEW GOVERNMENT'S EVENTFUL FIRST WEEKS

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1. (SBU) Summary. In his first weeks as Prime Minister John Key has addressed, in quick succession, many challenges: the APEC Leaders' Meeting in Peru; a national aviation tragedy; and having hundreds of New Zealand travelers stranded in Bangkok. On the whole, observers judge that Key has performed reasonably well. Although he attracted some criticism for his handling of the Bangkok episode, Key still appears to be enjoying a honeymoon period with the media and the public. With the new Parliament due to open for business December 9, Key will now return to his legislative priorities, many of which already well-known from the campaign. The new Government's specific long-term priorities, however, are not so well known and it will take a while for the public to fully indentify them. End Summary.

New PM's APEC Visit Viewed Positively

2. (SBU) Just over 24 hours after being sworn in as Prime Minister, John Key arrived in Peru for the APEC Leaders' Summit. Before arriving in Lima, Key accepted former Prime Minister Helen Clark's offer to provide any help he wanted in foreign affairs. In a 45 minute phone conversation just prior to his departure from New Zealand, Key heard Clark's personal observations on participating leaders and on how to best handle the two leaders' meetings.

3. (SBU) Key made it clear he saw the APEC Leaders Meeting as an opportunity to establish himself as New Zealand's new leader on the international stage. Key also wanted to specifically address the international financial crisis and the impact a global recession will have on New Zealand's economy. As such, his first international mission after becoming Prime Minister was generally treated positively by New Zealand observers who considered that Key effectively advanced New Zealand positions and his own message. They concluded that Key delivered his formal remarks with authority and expertise, as was expected given his background in international finance and high level of comfort talking about it.

4. (SBU) Key delivered his first formal address as Prime Minister to APEC's Business Advisory Council. The core message was bold and decisive for a newcomer to the world stage: that the Leaders Meeting was not acting as strongly as it should in promoting trade liberalization as a means to counter the effects of economic problems countries are facing. He bluntly blamed banks and other financial institutions for plunging the world into crisis. Key said in many cases there had been a "recklessly complacent attitude to risk" and credit had become out of proportion to real economies. But his main point was that APEC's founding principle of free trade was the most important way to get out of the crisis." [Note. Key dismissed the original text of the speech written by his Ministry of Foreign Affairs and Trade (MFAT) officials as not bold enough, only to write his own. End Note].

5. (SBU) Key's arrival in Peru was buoyed by a decision by the US, Australia and Peru to look at forming a free trade agreement with New Zealand, Singapore, Brunei and Chile. Said Key, "Now that Australia has joined in - obviously our closest friend, ally and

trading partner - we are creating momentum across the Pacific." New Trade Minister Tim Groser, in Peru with Key, stated that the emerging trading bloc would be part of the answer to working through the current economic turmoil.

¶16. (SBU) In Lima, Key bolstered his leadership credentials when he met President Bush and China's President Hu Jintao. Key also held formal bilateral meetings with Australian Prime Minister Kevin Rudd, Chilean President Michelle Bachelet, OECD Secretary-General Angel Gurría and Singapore's Prime Minister Lee Hsien Loong. Immediately after the meeting, Key flew to London to meet the Queen and Prime Minister Gordon Brown.

Condemns Mumbai Attacks

¶17. (SBU) The Government acted immediately to condemn the November 26 terrorist attacks in Mumbai, India. New Foreign Minister Murray McCully, without delay, instructed the New Zealand High Commission in New Delhi to urgently seek information on any New Zealanders that may have been caught up in the attacks. At this point, there have been no reports of any New Zealand casualties.

Plane Crash Shocks Nation

¶18. (SBU) On November 28 Key had to soothe the frayed nerves of the nation after a leased Air New Zealand Airbus A320 aircraft crashed in the Mediterranean seas off the coast of France killing five New Zealanders aboard. Key immediately offered any and all assistance required in the immediate aftermath of the tragedy. The crash occurred on the 29th anniversary of New Zealand's biggest single tragedy, when an Air New Zealand DC-10 crashed into Antarctica's Mount Erebus on a sight-seeing flight on November 28, 1979, killing all 257 people aboard.

Reaction to Thai Crisis Criticized

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¶19. (SBU) The Government's response to the crisis in Thailand, where approximately 250 New Zealanders were stranded, attracted criticism from Labour, the media and sections of public alike. Although tensions in Thailand have since eased and Suvarnabhumi international airport is now reopened for business, questions were asked whether the new Government acted soon enough when New Zealand lives could have been at risk.

¶110. (SBU) In response to the crisis, PM Key initially wanted to dispatch to Thailand one of the two New Zealand Defence Force (NZDF) Boeing 757s to evacuate stranded NZ travelers. However, much to his chagrin, Key discovered that both planes, purchased by the previous Labour-led government for exactly these sorts of evacuation scenarios, are currently under maintenance in the US. McCully said questions would be asked about NZDF's decision to allow both its 757 aircraft out of the country at the same time and asserted that efforts would be made to ensure a better response capability in future. Key was forced to turn to the considerably slower option of sending a NZDF C-130 Hercules to Malaysia where it remains on stand-by in case it is needed.

¶112. (SBU) Labour leader Phil Goff chided the government for its handling of the crisis. Goff said the government knew well in advance that both 757s were out of commission. Further, he questioned why faster action wasn't taken, why Key did not appear to have a contingency plan and why plane loads of Australians were quickly evacuated yet New Zealanders remained seemingly abandoned. Goff also questioned why a joint effort by Australia and New Zealand was not sought by the New Zealand government. Goff noted that while the Australian government talked to the Australian national carrier Qantas, which agreed to put on more flights, the New Zealand government had not sought to charter a plane from the its national carrier Air New Zealand, of which the Government has a majority holding, with rights to fly in Thailand. McCully responded by reminding Goff that it was he, as Defense Minister in the previous government, who presided over the equipment program in the NZDF over the last eight years. Said McCully, "any responsibility for the inability of the two 757s to fly, to be in service at the same time comes to rest on [Goff's] door step."

MFAT Performance in Thai Crisis Scrutinized

¶13. (SBU) Despite public assertions from Key, McCully and Goff that the New Zealand Embassy in Bangkok have worked extremely hard to handle the situation, some stranded New Zealand travelers have been critical. There have been some reports by marooned New Zealanders in Bangkok that they had only minimal contact with Embassy officials there and any information distributed by the officials were frequently outdated and unreliable.

¶14. (SBU) The Wellington-based political publication, TransTasman, reported on December 4 that political leaders have expressed "considerable disappointment with the flow of information from [MFAT], the lack of its ability to report consistently, and the tardiness in offering workable solutions. Foreign Minister Murray McCully is insisting on a review of MFAT's operational capability." TransTasman suggested that under the previous government, Wellington's bureaucracy lacked the capacity to act creatively. It further implied that dissatisfaction with MFAT's muddled response to the Thai crisis showed that the bureaucracy has yet to adapt to the new government's desire to have an innovative and high-performing public sector. Fran O'Sullivan of the New Zealand Herald newspaper wrote on December 6 that, although Key was the subject of criticism over the sluggish response to Bangkok crisis, the "real question surely should have been what has gone so wrong at the Ministry of Foreign Affairs that [New Zealand's] Thai embassy didn't have contingency plans in place to cover any evacuation need?" She asserted that the inaction was essentially "the product of an environment where officials have got so used to second-guessing Cabinet ministers that their capacity for independent action has been stymied."

Voters More Confident under New Government

¶15. (SBU) The first poll since the November 8 election hinted that Key is still experiencing a honeymoon period with voters. The December 4 Roy Morgan Poll found that Key's National Party (44 percent) maintains a large lead over Labour (32.5 percent). More significantly, confidence is beginning to return: after the election a record 66 percent of New Zealanders (up 12 percent) now say New Zealand is "heading in the right direction" compared to a record low 19 percent (down 12 percent) that say New Zealand is "heading in the wrong direction."

Media Coverage Mostly Positive

¶16. (SBU) Media reporting and analysis on how Key is handling his new job as prime minister has largely been positive. On most fronts - his APEC appearance, the speed and efficiency by which he formed his government and his transition into government - the media have generally held an affirmative position on Key. The Dec 4

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TransTasman reported that the Parliamentary Press Gallery gave Key a "thumbs up" after his first post-Cabinet press conference for being knowledgeable about the main issues and willing to accept that he did not know all the details at this early stage.

¶17. (SBU) Key has also attracted some media criticism since becoming PM, though as the New Zealand Herald's O'Sullivan observed "much of it directed at stylistic matter" (i.e., the manner in which Key has presented himself in his new role, in contrast to his polished and experienced predecessor, Helen Clark). However, the media have mostly allowed for a period of grace as Key establishes himself in his new role. Indeed O'Sullivan noted that "Clark's own authority and gravitas developed over her period as Deputy Prime Minister in the late 1980s and her latter nine years in the top job. And that she too displayed an almost frisky delight in her initial weeks as PM."

Immediate Legislative Priorities Well Signaled

¶18. (SBU) On December 9, in a speech to the new Parliament on behalf of the government, the Governor-General will spell out the legislative program for next three years. Details surrounding the likely near-term legislative objectives have been signaled well in advance by National during its election campaign. The first act will be to address the deteriorating economic position of many New Zealanders and stimulate the faltering economy. To this end, Key will announce a tax cut package to take effect on April 1, 2009 and a provision of financial relief for the jobless.

Longer-Term Plans More Vague

¶19. (SBU) Although Key's near-term plans for the country are well-known, it is not clear what his government plans to do in the longer-term or even if any determination has been made around policy beyond the immediate legislative priorities. Public sector reform, particularly public spending, could feature prominently in early 2009. In opposition, Key was highly critical of the explosion of bureaucratic staffing levels under the Labour government and evidence of wasteful public spending. In government, he is expected to curb the expansion of the public sector and instruct public sector chiefs to conduct line-by-line review of their spending. Also in the wings is the possible establishment of a Cabinet expenditure control committee to oversee the spending review and create task forces headed by private sector representatives to focus on public spending in a particular area.

Comment: Key Survives Rough Weather

¶20. Unexpected crises and the continuing economic downturn have confronted the new Prime Minister with far more severe initial challenges than he could have anticipated. His tenure was supposed to begin with the opening of Parliament tomorrow. Instead, he may find it a welcome respite from the rough weather he has already survived. End Comment.

McCormick